

Manufacturers' Inventory and Sales Expectations

MANUFACTURERS are projecting small sales increases and moderate inventory additions for the third and fourth quarters. The projections suggest a much slower growth in sales and larger inventory accumulation than occurred in the first two quarters of 1971. The expected additions to stocks are in line with the sales change, so that the stock-sales ratio would hold steady from midyear to yearend.

Manufacturers' overall evaluation of inventory condition did not change between March 31 and June 30, after showing improvement during the previous year. The net excess inventory fell for the fifth consecutive quarter and was quite small on June 30.

These are the results of the latest OBE quarterly survey of Manufacturer's Inventory and Sales Expectations, conducted in late July and August. Most of the reports were completed before the President's August 15 announcement of changes in economic policies.

Manufacturers' sales

Manufacturers expect sales to increase less than 1 percent in the third quarter and a little over 1 percent in the fourth. Quarterly gains earlier this year were sizable, partly reflecting recovery from the General Motors strike and stockpiling of steel in anticipation of a strike.

Durable goods producers project little change in the third quarter and a 1 percent rise in the fourth; sales rose 9 percent in the first quarter and almost 3½ percent in the second. Steel producers expect third quarter sales to fall sharply as steel users reduce their heavy stocks. Metal fabricating industries foresee gains in the third quarter.

Nondurable goods producers' sales are expected to rise 1 percent in the third quarter and 1½ percent in the fourth. Sales rose 3½ percent and 1½ percent in the first and second quarters, respectively, but had been sluggish throughout most of 1970.

Inventory additions

Manufacturers expect to add \$400 million to inventories in the third quarter

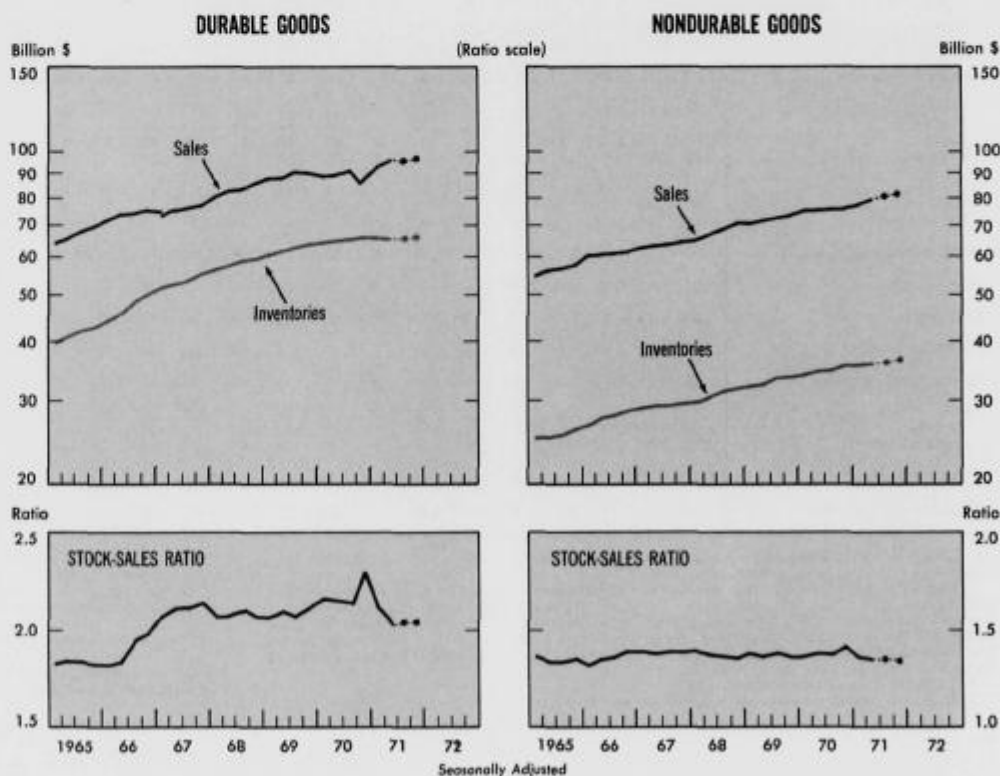
and \$1.2 billion in the fourth. Inventories were virtually unchanged in the first two quarters of the year.

Durable goods producers reduced holdings \$325 million between December 31, 1970 and June 30, 1971. They plan additions of \$200 million in the third quarter and \$900 million in the fourth, making second-half accumulation about equal to those in the first

CHART 9

Manufacturers' Sales and Inventory Expectations

- Manufacturers expect small sales gains in the third and fourth quarters
- The projected inventory rise is moderate and about in line with sales



• Expectations

U.S. Department of Commerce, Office of Business Economics

71-9-9

and second halves of 1970. Metal fabricators plan a substantial cutback in the third quarter, but this is more than offset by increases elsewhere.

Nondurable goods producers increased their holdings \$400 million in the first half of 1971. They expect to add another \$500 million during the second half, with additions slightly larger in the fourth quarter than in the third. The projected rates of accumulation are smaller than last year's.

In both durable and nondurable goods manufacturing, the stock-sales ratio fell during the first half of 1971 and is expected to show little change in the second half. Durable goods producers' stocks were equivalent to 2.03 months of sales on June 30, down from 2.30 on December 31; a ratio of 2.04 is projected for both September 30 and December 31, 1971. The nondurable ratio fell from 1.41 to 1.35 months between December 31 and June 30, and is projected at 1.34 months at yearend 1971.

Inventory condition, June 30

Manufacturers holding 20 percent of producers' stocks judged their June 30 inventories "high" relative to sales and unfilled orders, 79 percent of the stocks were in the "about right" category, and 1 percent were "low." These percentages are identical to those reported for March 31. The "high" figure had fallen from 24 percent at mid-1970.

The figures for durable goods producers on June 30, 1971 were 23 percent "high," 76 percent "about right," and 1 percent "low." The evaluation did not change on balance between the end of last year and the middle of this year. Their "high" ratio was 28 percent on June 30 last year, following 1½ years of increasing imbalance, but it had declined to 23 percent by December 31.

Nondurable goods producers reported 14 percent of their holdings as "high," 84 percent "about right," and 2 percent "low" on June 30—little changed from the March 31 proportions. The "high" percentage has been generally declining since March 31, 1970, when it was 19 percent.

Inventory imbalance, June 30

The amount of excess inventory held by producers rose in 1969 and early 1970

and has been falling since then. On June 30, manufacturers had \$2.0 billion of excess inventory (after netting excesses and deficiencies), compared with \$2.2 billion on March 31 and \$2.5 billion on June 30, 1970. The excess at

June 30, 1971 was equivalent to only 2 percent of producers' stocks.

Durable goods producers' excess inventory has been shrinking since mid-1970. The net excess was \$1.55 billion on June 30, 1971, compared to \$1.74

Table 1.—Manufacturers' Inventories and Sales: Actual and Expected¹

	(Billions of dollars)															
	1968				1969				1970				1971			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Inventories, end of quarter:																
Unadjusted:																
All manufacturing.....	86.2	87.8	88.5	90.3	92.8	94.1	94.7	90.4	86.4	89.0	88.7	100.1	101.0	100.7	100.2	102.2
Durables.....	56.6	57.3	57.7	58.7	60.5	61.0	61.9	62.8	64.2	69.3	69.6	84.8	84.8	85.0	84.7	86.0
Nondurables.....	29.6	30.5	30.8	31.6	32.3	33.1	32.8	27.6	24.2	19.7	19.1	15.9	16.2	15.7	15.5	16.2
Seasonally adjusted:																
All manufacturing.....	86.7	87.0	88.3	90.7	92.3	93.0	95.0	90.7	87.0	88.7	89.6	100.5	100.6	100.6	100.0	102.1
Durables.....	56.7	57.0	58.1	59.0	60.2	61.2	62.3	63.2	63.0	64.2	65.0	85.2	85.3	85.3	84.8	86.0
Nondurables.....	30.0	30.0	31.2	31.6	32.1	31.8	32.7	27.5	24.0	24.5	24.6	15.3	15.3	15.3	15.2	16.1
Sales, total for quarter:																
Unadjusted:																
All manufacturing.....	144.8	153.5	148.2	147.2	158.4	163.4	168.8	165.0	161.8	168.1	162.1	181.1	188.7	170.2	171.5	170.5
Durables.....	80.6	88.1	79.1	85.6	87.0	90.0	85.8	91.0	87.8	92.4	88.3	85.6	92.3	89.5	91.1	92.7
Nondurables.....	64.0	67.3	69.0	61.6	71.4	73.4	73.0	74.0	74.0	75.7	73.8	95.5	96.4	80.7	80.4	77.8
Seasonally adjusted:																
All manufacturing.....	145.3	146.5	151.6	155.0	157.6	159.4	163.0	163.7	163.4	164.1	166.1	180.3	179.8	175.0	178.0	178.3
Durables.....	80.6	88.1	79.1	85.6	87.0	90.0	85.8	91.0	87.8	92.4	88.3	85.6	92.3	89.5	91.1	92.7
Nondurables.....	64.7	68.0	72.5	69.4	70.6	69.4	77.2	72.7	75.6	71.7	77.8	94.7	87.5	85.5	86.9	85.6

1. All actual data have been adjusted to conform with the recent revision by the Bureau of the Census (Report M3-3).
2. Expectations reported by manufacturers in August 1971. Inventory expectations have been corrected for systematic bias.

Sources: U.S. Department of Commerce, Expectations, Office of Business Economics; actuals, Bureau of the Census.

Table 2.—Manufacturers' Evaluation of the Condition of their Inventories¹

	(Percentage distribution)								
	Total			Durables			Nondurables		
	High	About right	Low	High	About right	Low	High	About right	Low
June 30, 1968.....	18	78	4	21	76	4	13	83	4
September 30, 1968.....	22	75	3	27	70	3	14	83	3
December 31, 1968.....	28	70	2	33	65	2	16	79	5
March 31, 1969.....	31	68	1	37	63	1	20	78	2
June 30, 1969.....	31	67	2	30	63	7	20	76	4
September 30, 1969.....	27	69	4	34	63	3	15	81	4
December 31, 1969.....	25	72	3	31	67	2	15	81	4
March 31, 1970.....	26	72	2	31	68	1	15	82	3
June 30, 1970.....	26	72	2	31	67	2	16	80	4
September 30, 1970.....	24	73	3	28	70	2	16	79	5
December 31, 1970.....	18	80	2	31	70	2	16	82	2
March 31, 1971.....	20	78	2	31	77	2	17	82	1
June 30, 1971.....	21	77	2	22	76	2	17	80	3
September 30, 1971.....	23	76	1	26	74	1	17	82	1
December 31, 1971.....	23	76	1	25	73	2	18	81	1
March 31, 1970.....	24	76	1	27	72	1	19	80	1
June 30, 1970.....	24	76	1	27	71	2	17	81	2
September 30, 1970.....	22	77	1	24	74	2	16	83	1
December 31, 1970.....	21	78	1	25	70	5	16	83	1
March 31, 1971.....	20	79	1	23	75	2	14	85	1
June 30, 1971.....	20	79	1	23	76	1	14	84	2

1. Condition of actual inventories relative to sales and unfilled orders position as viewed by reporting companies. Percent distribution of inventory book values according to companies' classification of their inventory condition.

NOTE: Due to change in survey questionnaire, data starting December 31, 1968 are not strictly comparable to prior data.

Source: U.S. Department of Commerce, Office of Business Economics.

billion on March 31 and \$1.90 billion on June 30, 1970. The net excess in June 1971 was about 2½ percent of durable goods producers' inventories, down from almost 3 percent in June 1970.

Nondurable goods producers reported a slight increase in net excess—from \$430 million to \$470 million—between March 31 and June 30, 1971. The net excess on June 30 was 1.3 percent of their total holdings, as compared with 1.7 percent in June 1970.

The average excess for companies that judged their stocks "high" was 11 percent of their holdings at mid-1971, and the average deficiency for the small number of companies judging their stocks "low" was 23 percent.

Table 3.—Inventory Imbalance

	Inventory excess	Inventory deficiency	Net excess	
			Amount	Percent of total inventories
All manufacturers:				
Dec. 31, 1968.....	1.73	0.23	1.48	1.7
Mar. 31, 1969.....	1.87	.18	1.71	1.9
June 30, 1969.....	1.90	.24	1.79	1.9
Sept. 30, 1969.....	2.30	.15	2.21	2.4
Dec. 31, 1969.....	2.30	.10	2.24	2.6
Mar. 31, 1970.....	2.58	.10	2.48	2.6
June 30, 1970.....	2.82	.15	2.67	2.6
Sept. 30, 1970.....	2.48	.11	2.37	2.4
Dec. 31, 1970.....	2.44	.13	2.31	2.3
Mar. 31, 1971.....	2.31	.14	2.17	2.2
June 30, 1971.....	2.34	.22	2.02	2.0
Durable goods:				
Dec. 31, 1968.....	1.16	.20	.96	1.7
Mar. 31, 1969.....	1.31	.12	1.19	2.0
June 30, 1969.....	1.38	.18	1.20	1.9
Sept. 30, 1969.....	1.78	.11	1.64	2.7
Dec. 31, 1969.....	1.91	.13	1.78	2.8
Mar. 31, 1970.....	1.97	.09	1.88	2.9
June 30, 1970.....	2.00	.10	1.90	2.9
Sept. 30, 1970.....	1.94	.07	1.87	2.9
Dec. 31, 1970.....	1.88	.07	1.81	2.8
Mar. 31, 1971.....	1.81	.07	1.74	2.7
June 30, 1971.....	1.78	.18	1.65	2.4
Nondurable goods:				
Dec. 31, 1968.....	.64	.05	.59	1.6
Mar. 31, 1969.....	.66	.04	.62	1.6
June 30, 1969.....	.61	.06	.55	1.7
Sept. 30, 1969.....	.61	.04	.57	1.8
Dec. 31, 1969.....	.60	.03	.57	1.7
Mar. 31, 1970.....	.61	.01	.60	1.8
June 30, 1970.....	.62	.05	.57	1.7
Sept. 30, 1970.....	.54	.04	.50	1.6
Dec. 31, 1970.....	.56	.05	.51	1.5
Mar. 31, 1971.....	.50	.07	.43	1.2
June 30, 1971.....	.61	.14	.47	1.3

* Revised.

Source: U.S. Department of Commerce, Office of Business Economics.

The Census Bureau has published benchmark and seasonal factor revisions of the data on manufacturers' shipments and orders beginning with January 1966. The revised data are published in *Manufacturers' Shipments, Inventories, and Orders: 1966-1971 (Revised)*, Series M3-1.3, U.S. Government Printing Office, Washington, D.C. 20402. Price 70 cents. Shown here are the resulting revisions in aggregate manufacturing and trade sales and inventories, regularly published on page 8-5 of the Survey.

Manufacturing and Trade Sales, Inventories, and Inventory/Sales Ratios

	Unadjusted		Seasonally adjusted		
	Inventories	Sales	Inventories	Sales	Inventory/sales ratios
1966:					
January.....	120,694	78,945	121,654	85,636	1.42
February.....	123,172	80,893	123,027	86,707	1.41
March.....	125,842	88,872	124,241	87,317	1.42
April.....	126,706	88,012	125,315	88,085	1.43
May.....	128,861	90,850	126,942	88,177	1.47
June.....	128,858	90,900	128,373	87,673	1.47
July.....	120,110	82,008	124,737	88,686	1.40
August.....	120,898	87,116	131,190	87,821	1.50
September.....	130,787	80,237	137,235	86,293	1.50
October.....	133,896	90,000	133,790	88,199	1.52
November.....	136,426	80,287	135,281	87,594	1.54
December.....	135,242	98,429	136,714	87,188	1.55
1967:					
January.....	137,179	81,304	136,019	83,743	1.58
February.....	138,744	83,173	136,674	86,070	1.57
March.....	140,409	90,160	139,288	85,640	1.60
April.....	141,477	88,217	139,051	86,770	1.58
May.....	141,555	90,607	140,172	88,996	1.58
June.....	140,736	98,800	140,305	90,004	1.56
July.....	140,143	84,932	138,858	88,482	1.56
August.....	140,375	88,098	141,023	90,574	1.57
September.....	140,188	91,584	142,189	90,703	1.57
October.....	142,773	91,737	142,417	89,162	1.60
November.....	145,002	92,715	143,078	91,081	1.58
December.....	143,792	97,304	145,022	92,704	1.58
1968:					
January.....	144,684	94,254	145,588	93,103	1.56
February.....	146,444	98,873	146,354	93,651	1.56
March.....	147,537	95,206	146,700	94,681	1.55
April.....	149,637	95,505	148,012	94,780	1.56
May.....	150,666	98,303	149,104	96,051	1.55
June.....	150,814	99,800	149,082	97,127	1.54
July.....	149,436	94,311	150,410	98,282	1.53
August.....	149,845	90,005	151,440	98,376	1.57
September.....	150,540	98,004	149,218	98,310	1.56
October.....	153,042	103,639	153,463	99,780	1.55
November.....	155,373	101,627	155,083	99,866	1.54
December.....	153,787	103,245	154,880	98,910	1.57
1969:					
January.....	154,640	92,530	155,387	90,606	1.58
February.....	155,581	94,801	156,568	100,048	1.56
March.....	156,790	101,870	157,648	101,222	1.56
April.....	160,285	102,340	158,477	101,899	1.56
May.....	160,006	104,279	159,381	102,448	1.55
June.....	160,566	105,080	160,281	102,027	1.58
July.....	160,335	98,088	161,134	102,672	1.57
August.....	160,282	101,746	162,054	103,790	1.56
September.....	161,708	100,083	163,065	104,324	1.56
October.....	164,387	110,180	164,322	105,087	1.56
November.....	165,082	104,282	164,640	104,744	1.58
December.....	164,200	100,334	165,647	105,580	1.60
1970:					
January.....	164,678	90,835	165,621	104,140	1.59
February.....	165,501	90,053	166,610	105,181	1.58
March.....	166,082	105,333	167,081	104,783	1.60
April.....	169,561	104,608	167,835	104,338	1.61
May.....	169,232	108,810	167,654	108,082	1.58
June.....	168,898	111,073	168,413	108,514	1.58
July.....	168,714	103,209	169,539	108,734	1.60
August.....	168,242	104,729	170,205	107,123	1.60
September.....	168,516	106,343	170,068	106,572	1.60
October.....	171,170	109,021	171,108	104,323	1.64
November.....	173,107	103,021	171,708	103,411	1.60
December.....	170,300	112,030	171,008	104,563	1.63